

January 2004

## **Recommendations for State Need Grant Program Improvements and Related Financial Aid Issues**

### **Background**

The State Need Grant (SNG) program is charged with “...assisting financially needy or disadvantaged students domiciled in Washington to obtain the opportunity of attending an accredited institution of higher education...” (RCW 28B.10.800). Over the past 14 months, Board staff have been meeting with a work group of financial aid professionals from all sectors of Washington’s public and independent colleges and universities, as well as representatives from key higher education organizations, to discuss six issues and make recommendations to the Board.

Board staff met with the work group five times between November 2002 and August 2003. Last fall, staff drafted a memorandum to the Board’s Financial Aid Committee summarizing each issue and highlighting requests for Board action or further study. Since that time, members of the work group have reviewed early drafts and suggested changes; all of which have been incorporated in the final memorandum. A copy is included in the Board packet, along with a list of work group members.

### **Recommendations**

**As a result of these discussions, the work group recommends changing the SNG program to:**

- Allow financial aid officers, on a case-by-case basis, to award the State Need Grant to students pursuing a second associate degree within five years of earning their first associate degree. Current statute prohibits awarding the SNG to students for a second associate degree if they are within five years of earning their first associate degree as a SNG recipient, unless the degrees are earned concurrently.
- Allow a student’s State Need Grant to exceed the amount that the student paid in tuition, provided the grant amount does not exceed tuition by more than \$50. Current rules (WAC 250-20-041) do not permit the base SNG to exceed the actual tuition and fees charged to the eligible student. The Community and Technical College (CTC) system charges tuition on a per-credit basis, and although the SNG amount for students at community and technical colleges is based on 15 credits, a student is considered fulltime for financial aid purposes at 12 credits – which is the financial aid standard for minimum fulltime enrollment. The proposed change would allow full-time SNG recipients taking between 12 and 14 credits at a CTC to receive a full SNG.

**The work group also recommends that Board staff study the following issues for later consideration:**

- Whether the SNG program should better address the needs of students who attend community and technical colleges less than half time (six credits) for basic skills and job training. Current rules limit SNG awards to students attending half time or more.
- Whether the SNG award amounts for non-state supported private career colleges should continue to be tied to the price of tuition at state supported community and technical colleges, or whether they should better reflect those colleges' higher costs.
- The cost to the state to fund the SNG for students who attend 12 months in an academic year. Currently, the state allocates SNG funds to colleges based on the anticipated eligibility of students for a 9-month academic year.
- If funds are provided for year-round attendance, to what extent would that change in policy increase the risk of SNG underexpenditures, and is it possible to safeguard the program from that risk.

**Next steps**

No Board action is required at this time. HECB staff request direction to take steps to amend SNG rules to allow a student's SNG to exceed the amount that the student paid in tuition, provided the grant amount does not exceed tuition by more than \$50. The proposed timeline for this rules change follows.

In addition, HECB staff are working on an amendment to RCW28B.10.808 that would allow the Board to adopt rules establishing criteria under which students with unusual mitigating circumstances could be exempted from the associate degree limitation.

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**Timeline: Rules Change – State Need Grant**

<b>July 2003</b>	Filed CR 101 – Preproposal statement.
<b>January 17, 2004</b>	File CR 102 – Proposed Rules to be filed.
<b>February 17, 2004</b>	Proposed rules presented to HECB members.
<b>February 24, 2004</b>	Public Hearing – to be held at HECB offices. Last day for written comments.
<b>March 25, 2004</b>	Board considers final rules.
<b>April 25, 2004</b>	Permanent rules become effective.

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January 8, 2004

**TO:** The Financial Aid Committee of the Higher Education Coordinating Board

**FROM:** State Need Grant Work Group (*membership list attached*)

**SUBJECT: RECOMMENDATIONS FOR STATE NEED GRANT PROGRAM IMPROVEMENTS AND RELATED FINANCIAL AID ISSUES**

**Background**

The State Need Grant (SNG) program is charged with “assisting financially needy or disadvantaged students domiciled in Washington to obtain the opportunity of attending an accredited institution of higher education.” (RCW 28B.10.800). Over the past 14 months, Board staff have been meeting with a work group of financial aid professionals from Washington colleges and universities and representatives from state and private higher education organizations to discuss six issues and recommend Board action or further study.

**As a result of these discussions, Board action is recommended on two issues:**

- Eligibility limit of one associate degree in five years
- Recognition of the price of 15 credits for CTC maximum award amount

**Two issues warrant further study, but no Board action is recommended:**

- State Need Grant award amount policy
- Fund allocations for year-round attendance

**Although discussed in depth, no further study or Board action is recommended on the final two issues:**

- Eligibility limit of 125 percent of program length
- Dependent Care Allowance

## **Recommendations for Board Action**

### **Eligibility limit of one associate degree in five years**

**Current policy:** A State Need Grant (SNG) recipient is not allowed to begin a new associate degree program within five years of completing a previous associate degree as a need grant recipient unless the degrees are earned concurrently.

**Recommendation:** The work group recommends that the SNG program allow aid administrators to exercise professional judgment, on a case-by-case basis, to award the SNG to students pursuing a second associate degree within the five-year window. The work group and HECB staff would develop procedures for tracking the frequency and circumstances under which the exception is used. HECB staff would monitor the use of the exception and periodically report to the Board on its use.

**Discussion summary:** The financial aid community believes this restriction prevents some students from attaining their educational goals in an efficient and affordable manner. For example, a student who receives a technical associate degree may find, within the five-year time frame, that his or her career path requires a bachelor's degree, and the student will need to take additional lower-division coursework. Current statute allows the student to receive the SNG at a four-year school while working on lower-division coursework, but does not permit the student to receive SNG to complete the same lower-division coursework at a community college

Additionally, some students complete an associate degree intending to transfer to a four-year baccalaureate program, but within five years decide to instead pursue a technical degree. That student also is currently ineligible to receive the SNG at the two-year school.

In many cases, a student's desire to take additional associate degree coursework at a community college is motivated by changing economic forces in the employment market, or by limited transfer opportunities.

The aid community concurred that any change to current practice should be made in the context of a renewed focus on accountability and an effort to ensure that students complete their programs efficiently. Any change to the five-year restriction should be for special circumstances, and should not provide additional assistance for "lingering students."

### **Recognition of the price of 15 credits for CTC maximum award amount**

**Current policy:** A student taking 12 or more credits at a community or technical college is considered full time for financial aid purposes. Meanwhile, the SNG formula assumes a full-time student is taking 15 credits. As a result, the calculated award for a student enrolled for 12, 13, or 14 credits at a community or technical college slightly exceeds the amount paid in tuition.

***Recommendation:*** The work group recommends changing program rules to allow a student's State Need Grant to exceed the amount that student paid in tuition – provided the grant amount does not exceed tuition by more than \$50. Board staff and the work group agreed that this is a short-term solution to address differential tuition at community or technical colleges. The work group further recommends that the Board review this policy annually in determining the maximum SNG award amounts, to ensure optimum use of funding and equitable distribution between the institutional sectors.

***Discussion summary:*** Prior to fall 1999, the community and technical colleges used the same method to calculate tuition and fees as the other public institutions: students taking at least 10 credits were considered full time, and did not pay additional tuition until the students reached the 18th credit. In 1999, the community and technical college system decided to charge a per-credit rate – regardless of the number of credits taken. The plan laid out a proposed 10-year implementation period and called for the policy to be reviewed annually. During the phase-in period, the schools are charging one per-credit rate for credits one through ten, and a different, lower rate, for the 12th through 18th credits.

In the summer of 2002, when the HECB was establishing grant amounts for the upcoming academic year, the Board elected to recognize the cost of 15 credits of community and technical college tuition as the full-time tuition rate for the purpose of setting the State Need Grant award. This decision was based on the fact that a student must enroll in 15 credits per quarter to earn an associate degree in six quarters (two academic years). Although the grant amount is based on 15 credits, a student is considered full time for financial aid purposes at 12 credits – which is the financial aid regulatory standard for minimum full-time enrollment.

The group discussion revolved around two views. First, tuition is a mechanism for establishing grant amounts; the grant itself is not meant to pay tuition exclusively. The grant is provided to needy students for all educational costs, of which tuition is only a part. Therefore, a full-time grant exceeding the actual tuition paid by an individual student would be consistent with program intent, because the grant amount does not exceed the student's financial need and does not exceed the maximum full-time tuition rate for that sector.

Second, there was concern that allowing any student to receive a grant that exceeds the actual amount of tuition is not the best use of program funds, when many eligible students are turned down every year due to a lack of funds. Also, grant amounts have not reached their statutory goal of being equal to 100 percent of tuition at the public higher education institutions.

The group concluded that the best approach at this time would be to amend the program rules to allow the grant amount to exceed tuition by an amount not exceeding \$50, and monitor this issue annually to assess its impact on the program.

For the 2003-04 academic year, the grant amount for a student enrolled in 12 credits at a community and technical college will exceed tuition by \$5 per quarter. Based on information provided by the institutions, the total cost the to program will be slightly less than \$40,000. The group did not see this as a material issue for this academic year.

## **Recommendations for further study**

### **State Need Grant award amount policy**

**Current policy:** State Need Grant award amounts are linked to 100 percent of full-time tuition at the public institutions. Amounts vary by type of institution (community and technical, private career colleges, public comprehensive, public research, and independent). In addition, the program is designed to complement federal grant programs that are targeted to more traditional students who are enrolled at least half time.

**Recommendation:** Two key questions need additional study:

- Should the program better address the needs of students who attend community and technical colleges, at a less than half-time rate, for basic skills and job training?
- Should the grant amounts for non-state supported private career colleges continue to be tied to the price of tuition at the state-supported community and technical colleges, or should they better reflect those schools' higher costs?

**Discussion summary:** Overall, the work group supports current policy, citing clarity as one of its strengths. The program is easily understood by policymakers, and has helped place Washington State at the forefront in aligning tuition decisions and funding for need-based aid. The group agreed that changes to current policy should maintain this simplicity.

The community and technical colleges raised the concern that because the SNG program is designed to complement federal grant aid programs that are targeted to more traditional students enrolled at least half time, it does not address the needs of students attending community and technical colleges for basic skills and job training. Although this policy serves the state well in leveraging federal aid funds, the state should consider providing financial assistance to low-wage adult learners who attend college less than half time and want to improve their job skills.

Additionally, the private career colleges raised concerns about the SNG award amount being tied to tuition at community and technical colleges – which is significantly less than the price of their schools. A suggested alternative would link the award amount to the tuition recognized by the SNG program at private four-year colleges. The group reached no conclusions on this issue.

### **Fund allocations for year-round attendance**

**Current policy:** The HECB calculates the amount of SNG funds allocated to each institution based on the eligibility of students for a nine-month academic year.

**Recommendation:** A change to the allocation model could provide funding based on the numbers of eligible students enrolled over a 12-month academic year, but there should be no such change without sufficient funding to provide grants to students who attend year round.

Further analysis is needed to determine:

- The cost of providing additional funds for year-round students.
- The extent to which such a change in the allocation would increase the risk of SNG underexpenditures and how to safeguard the program from this risk.

Board staff should discuss the potential for a change to the allocation model to allow funding for students to receive State Need Grant year round. The change should be considered in the development of the agency's budget request for the 2005-07 biennium, and should be part of a broader discussion on how grant policy can improve upper division enrollment, increase student efficiency, support higher enrollments, and other related issues.

***Discussion summary:*** Representatives of some four-year publics indicated that many students now attend year round. All but one of the private career colleges enroll students year round; they would support this change as a more equitable method for distributing funds.

The work group and Board staff discussed a number of possible scenarios for serving students year round. Some members said it was important to document the need for additional funds to cover the cost of the change, and to request funds from the Legislature; any change in the allocation should not be made at the expense of "academic year" students. Summer should not be treated as a "bonus" if funds are left over; schools should be able to count on summer funding.

Some suggested that, with additional funding to cover year-round students, the formula itself would not have to be changed. The distribution itself could be based on the current nine-month allocation model.

Members also speculated that a change in the model may not add real expense, but might simply shift when funds are expended. This assumes that SNG recipients who attend during summer will complete their programs sooner. This item needs further study to quantify whether there will be a cost, and how much.

And members pointed to the difficulty of current state requirements to spend SNG funds "to the dollar" each fiscal year – a difficulty that would be exacerbated by adding an expectation for funding all eligible students during the summer. This kind of model would probably work only if the Board had the flexibility to carry funds forward from the previous fiscal year. Without that, the risk of underutilization may be too great.

### **Issues not requiring Board action or further study**

#### **Eligibility limit of 125 percent of program length**

***Current policy:*** State Need Grant recipients may receive the grant for periods of enrollment up to 125 percent of the length of their program of study. Students pursuing an associate's degree, for example, may receive the award for up to two and a half years; baccalaureate students may receive it for up to five years.

**Discussion summary:** The Legislature adopted the 125 percent requirement in 1999; the Board advocated for the federal standard of 150 percent of program length. Changing the SNG standard to parallel the federal standard could relieve administrative burdens and create more cohesiveness across aid programs.

The 150 percent federal standard is a maximum; schools may apply a stricter standard for federal programs. Some schools use the federal standard for all programs but SNG. Other schools use the stricter SNG requirement for all programs, either to eliminate the administrative burden of managing two standards or as an enrollment management tool to improve graduation efficiency indices and provide more space for students.

State Need Grant administrators may apply “professional judgment” to extend eligibility beyond the 125 percent standard for exceptional cases. Such actions create additional administrative burdens that would be eliminated if the state and federal policies were the same.

Some members noted that this is an environment of limited funding where significant numbers of eligible students are already not served. Extending the eligibility period of recipients will translate into more eligible students who cannot be served.

During the period of the work group discussions, lawmakers passed Senate Bill 5135, requiring public colleges and universities to develop policies to ensure timely program completion. In its original form, the bill would have required resident students with more than 125 percent of the credits needed for a degree or certificate to pay the full cost of instruction — not just state-subsidized tuition.

Although having two standards is administratively burdensome, lawmakers have made clear — with the passage of SB 5135 — their desire to tackle the “excess credit problem.” A request to the Legislature to extend the SNG standard to match the federal standard would not likely gain support from key lawmakers.

The work group issued no recommendation for Board action or further study at this time.

## **Dependent Care Allowance**

**Current policy:** Recipients of the SNG Dependent Care Allowance (DCA) are required to provide documentation of their dependent care costs.

**Discussion summary:** The work group weighed the issue of whether the supplemental award provided through the DCA was intended to offset higher living costs for families with children or simply cover the need for childcare and other direct dependent costs related to completing an education.



Members said that in the early years of the DCA, assistance for dependent care was more readily available from other sources; in recent years, there have been reductions in available assistance.

Most aid administrators indicated that many students either can't or don't document their need for the DCA. Some favored reserving the DCA for students who document the need for it; others wondered how many unserved students could be awarded, or how much base SNG amounts could be increased if funds were not used for the DCA.

Members also discussed ways for aid offices to collaborate with other funding sources for child care costs — such as applying for federal and state child care grant programs and helping to raise funds for the newly-adopted privately funded child care grant program for SNG recipients with children.

Some members questioned whether the DCA should be considered a role of the state's basic financial aid program (i.e., the SNG program?).

Following discussion, members reached a general consensus that DCA recipients should continue to document need for the supplemental award. Although the allowance is minimal, the current policy responds to needs not meant by other resources.

The work group issued no recommendation for Board action or further study at this time.

Attachment

## **State Need Grant Policy Discussion Group Members**

### **Higher Education Agencies/Boards**

Terry Teale	Council of Presidents
Cynthia Morana	Council of Presidents
Violet Boyer	Independent Colleges of Washington (ICW)
Sandra Wall	State Board Community & Tech. Colleges
Sally Hanson	State Board Community & Tech. Colleges
Nani Jackins Park	State Board Community & Tech. Colleges
Gena Wikstrom	WA Federation of Private Career Schools & Colleges

### **Financial Aid Directors:**

Agnes Canedo	Central Washington University
Bill Chaney	Lake Washington Tech. College
Bruce DeFrates	Eastern Washington University
Carla Idohl-Corwin	South Puget Sound C.C.
Cheryl Reid	Seattle Central Community College
Clara Capron	Western Washington University
Diana Ball	Divers Institute
Jeff Clark	Business Computer Tech. Inst. (BCTI)
Jim White	Seattle University
Karen Driscoll or Jill Shanker	Spokane Falls Community College
Karen Specht	Clover Park Tech. College
Kay Lewis	University of Washington
Kay Soltis or Ron Noborikawa	Pacific Lutheran University
Laura Pendleton	Heritage College
Brian Shirley	The Evergreen State College
Suzanne Scheldt	North Seattle Community College
Suzy Taylor	International Air Academy
Terri Odell	ITT Technical Institute-Bothell
Tomas Nichol	Bryman College
Venetta Miller	Perry Technical Institute
Wayne Sparks	Washington State University

### **HECB STAFF**

Becki Collins	Director of Education Services
Gary Benson	Sr. Policy Associate
John Klacik	Associate Director-SNG/Financial Aid
Ruta Fanning	Deputy Director (now Interim Exec. Director)

### **LEGISLATIVE STAFF/OFM**

Barbara McLain	Research Analyst - House Higher Education Committee
Jean Six	Senate Staff for Higher Education
Susan Howson	House Fiscal Analyst for Higher Education
Debra Merle	OFM – Executive Policy Advisor

# State Need Grant Work Group: Recommendations for Continuous Improvement



January 15, 2004

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# State Need Grant (SNG) Work Group

- Representatives from all sectors, higher education stakeholders, legislative staff
- Met five times since November 2002
- Discussed several issues
- Requests Board action to make two changes to the program
- Several issues for further study

# Work Group Recommendation: Allow 2 associate degrees in 5 years

## Current law:

Requires SNG recipients to wait 5 years after earning their first associate degree before pursuing a second with SNG funding.

## Discussion highlights:

Aid officers believe current law limits some students from achieving their educational goals efficiently and inexpensively. Allowing some students a second associate degree reflects real economic and employment needs.

## Recommendation:

Seek a regulatory change to allow aid officers to award SNG to students pursuing a second associate degree within 5 years of earning their first, on a case-by-case basis.

# HECB Financial Aid Committee Recommendation

- Financial Aid committee does not wish to pursue this program change at this time.
- No change in eligibility so long as there are eligible students going unserved due to lack of funding.
- Could be reconsidered as part of biennial budget request.

# Work Group Recommendation: Allow SNG to exceed cost of tuition

## Current rules:

Require that the grant not exceed the value of tuition and fees.

## Discussion highlights:

Current rules affect community college students who pay slightly lower tuition when enrolled for 12 to 14 credits. A change would allow a small number of students to get grants worth slightly more than tuition.

## Recommendation:

Change the program rules to allow the SNG to exceed tuition by up to \$50 and monitor the issue annually to assess its impact.

# Issues for further study

- Whether the SNG should be available to students who attend less than half time (six credits) and are pursuing basic skills and job training
- Whether grant amounts at private career colleges should be tied to tuition at public two-year colleges
- The costs and risks of allocating SNG funds to colleges based on student eligibility for year-round attendance – instead of the current allocation model based on 9-month attendance



# Issues not requiring further action or study

- Work group members discussed changing SNG eligibility period from 125 to 150 percent of the time required to complete a program, but recognized the Legislature was seeking to motivate student behavior toward quicker – not lengthier – program completion
- Members discussed and decided to maintain current SNG policy to require recipients of the Dependent Care Allowance to provide documentation of dependent care expenses

**Thanks to all who participated in the work group.  
We look forward to more opportunities to  
bring improvements to our programs.**